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## Conclusions

**B**angladesh is India's one of the most important trade and development partners in South Asia and vice versa. The strategic location of NER, consisting of the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, and Bangladesh complement each other and present an opportunity for economic integration and connectivity in the Indo-Pacific region.

Connectivity of India's NER to the Bay of Bengal region is a key building bloc of realizing the vision of a prosperous and vibrant Indo-Pacific region. It is also a gateway to East and Southeast Asia. The NER is endowed with vast natural resources such as forest resources, petroleum products and hydel power. Additionally, the strategic location of the region, which shares borders with Nepal, Bhutan, China, Myanmar, and

Bangladesh, outperforms others in terms of potential gains from the international borders. India shares the longest international border with Bangladesh among all the neighbouring countries.

Trade has been the key to bilateral relations. This Study shows that the bilateral trade between India and Bangladesh is likely to touch US\$ 67 billion by 2035 and US\$ 315 billion by 2050, which has several implications for overland and maritime trade, particularly India's NER. Implementation of the Coastal Shipping Agreement, 2015 can play a vital role in boosting trade through faster shipping routes in the Bay of Bengal region and beyond in a cost effective and sustainable manner.

The simulations based on Social Accounting Matrix (SAM) of this Study has shown that output for the Matarbari



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DSP project, compared to the base value, is set to rise by 1.81 per cent in 2026. The investment in the Matarbari project has the potential to generate a total of US\$ 6,163 million. The SAM export simulation shows that the completion of the Matarbari DSP will contribute to a 6.83 per cent increase in output in Bangladesh due to increased exports between 2026 and 2030. The increased share of exports has the potential to raise activity output by US\$ 23,264 million. The export simulation is like the investment simulation in terms of location-based job creation. The SAM simulations show that if 25 per cent of total export growth happens due to the Matarbari DSP, about 3.23 million and 1.37 million jobs will be created, respectively, in the rural and urban regions in the years between 2026 and 2030.

While India and Bangladesh have made impressive progress in recent decades, much remains to be done to strengthen the maritime infrastructure of South Asia's two largest economies. Both Bangladesh and NER need to further strengthen connectivity between them, significantly upgrade production and trade, and improve the quality of road infrastructure. Reinforcing Matarbari-NER connectivity will not only foster greater integration of the region but also bolster regional connectivity and growth.

Given the strategic location of the NER and Bangladesh, the trade potential between them is considerably high and a large part of it is unrealised. Just a few products are traded between NER and Bangladesh. Infrastructure bottlenecks are among the largest inhibitors of

trade in NER and Bangladesh. Both countries have undertaken several infrastructure development initiatives to set in place multi-modal connectivity in NER with Bangladesh.

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The upcoming Matarbari DSP which is being developed by the Bangladesh government with Japanese assistance has the potential to become a regional hub for the industrial value chain connecting the NER through Tripura with Bangladesh and onward to the larger Bay of Bengal region. India's access to the Matarbari DSP and other ports of Bangladesh will be a phenomenal step in relieving the NER's land-locked status. Given the Matarbari DSP's proximity to Tripura, it is expected to significantly boost economic activity not only in Bangladesh but also in the entire NER. It is anticipated to boost economic growth, enhance maritime connectivity and trade since the facility is predicted to significantly reduce travel time and distance, making trade more viable. In this context, this Study has assessed the connectivity linkages between the NER and Bangladesh centering Matarbari DSP, and also explored status, challenges and economic opportunities. This Study has investigated the status of Matarbari DSP development, Chattogram-Matarbari DSP connectivity, Dhaka-Agartala connectivity and infrastructure development at Agartala-

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Akhaura, Srimantapur-Bibirbazar and Sabroom-Ramgarh borders and the potential intra- and inter- regional economic linkages of the NER with Bangladesh in context of ongoing connectivity projects. The Study has addressed the issues related to the challenges and bottlenecks to trade, the hard and soft infrastructures, customs procedures and border barriers, and has provided policy recommendations highlighting the potential role of Japan in building regional economic relations and connectivity.

Although bilateral trade between India and Bangladesh has increased significantly in recent years, majority of the trade as well as cargo and passenger movement pass through the Petrapole-Benapole border, whereas the land customs stations in the NER, particularly Tripura, which shares the longest border with Bangladesh among other NER states, have remained under-utilized due to commodity and port restrictions imposed by Bangladesh. On the other hand, there are several trade restrictions that are also imposed by India on exports of Bangladesh. Therefore, strengthening infrastructure at land or sea ports cannot alone be the catalyst for trade growth until and unless those capital expenditures are matched by friendly and supportive trade policies.

The area which is largely unexplored is maritime connectivity. India and Bangladesh may consider strengthening maritime connectivity through both waterways and seaports to supplement congested land routes. Waterways and maritime routes are environment-friendly and cost-effective. Bangladesh has been the major gainer of liberalised waterways arrangement between India and Bangladesh. However, as this Study has shown, strong bilateral ties on river and coastal shipping is imperative for unlocking the potential of this shared region. At present, the Indo-Bangladesh Protocol (IBP) routes under Protocol on Inland Water Transit and

Trade (PIWTT) are highly under-utilized and transshipment of cargo from Chattogram and Mongla Ports under the Agreement on the use of Chattogram and Mongla Ports (ACMP) is yet to be fully operational. Moreover, the Coastal Shipping Agreement of 2015 is yet to facilitate transshipment of cargo and container to the expected levels. The ACMP does not allow India to transit cargo to a third-country via Bangladesh, and has been a major constraint to maritime trade between NER and Bangladesh. To strengthen the economic linkages between India and NER, Bangladesh may allow the NER for third-country trade via Bangladesh. Such an arrangement will not just reduce transportation cost, it will also decongest the land routes. It may also enhance trade through upcoming Sabroom ICP and other NER states to Chattogram Port and/or upcoming Matarbari DSP and strengthen supply chain networks. A renewed thrust to NER's linkages with Bangladesh will also pave the way for much-needed investments from Japan.

There are many other critical roles that both India and Bangladesh governments must play to ensure the effective utilisation of border infrastructure and multimodal transport system for enhancing economic relations between India and Bangladesh. There are several challenges such as inadequate infrastructure at borders, inadequate road and rail connectivity, lack of facilities at border transit points, absence of banking facilities, high duties and non-tariff barriers, paper-based customs clearance procedures, lack of skilled human resources, lack of awareness about advance billing, sale of third-country products at border haats, etc. have been impeding trade between NER and Bangladesh.

To promote trade and strengthen connectivity between the NER and Bangladesh, there is a need for reviving the

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old road, rail, waterways linkages as well as developing new ones. Besides, improved border connectivity will unlock the potential of the region and generate more economic opportunities for the local people in the NER-Bangladesh region in terms of both trade-related services and industrial activities.

Building connectivity networks centering Matarbari DSP along with Maitri Setu, corridors between Sabroom and Agartala, Dhaka and Chattogram and Akhaura-Agartala railway network connecting NER with Bangladesh and onward to the larger Bay of Bengal region may scale up trade and integration. The synergy between them may enable them to realize the benefits of economic integration and generate new growth potential for NER and Bangladesh. However, for an effective realisation of such networks, overland connectivity through land ports and inland connectivity through waterways and seaports require a complete overhauling. The NER has been improving the border infrastructure by establishing well organised ICPs that are enabling trade, cargo and passenger movement. It is Bangladesh's turn to match the infrastructure at the other end of the border. The Sabroom ICP in Tripura is expected to become a logistics hub given its cargo and passenger handling capacity and connectivity to the Chattogram Port and upcoming Matarbari DSP. However, this could be possible only when Bangladesh has supporting infrastructure facilities. Therefore, to expand the benefits on a wider scale, connectivity between NER and Bangladesh requires further strengthening in a synchronized and calibrated manner.

The NER has high value chain potentials in agro-horticulture, tourism, etc., but is largely unrealised. Greater connectivity linkages between the two countries will pave

the way for higher trade and value chains.

Developing agro-horticulture industry cluster will stimulate new partnerships and provide opportunities for entrepreneurial activities. Other potential sectors, which can do business between the two countries, are in the areas of organic and sustainable products, processed food, bamboo, leather products, steel items, intermediate goods, textiles, ready-made garments, etc. Bangladesh may consider removing port and commodity restrictions on goods exported from NER states for boosting trade and value chains linkages in the region. At the same time, expanding the scope of bilateral agreements and protocols between India and Bangladesh for facilitating third-country trade will not just boost industrial activities, it will also enhance trade and strengthen the supply chain linkages. In parallel, strengthening digital linkages between the two countries would effectively enable trade facilitation through modernization of customs clearance procedures, a common customs platform and cooperation and coordination of the allied border agencies. Special business visa and e-visa facilities by India and Bangladesh would promote trade and ease of doing business.

Tourism and hospitality industry is another potential area for enhancing people-to-people contacts and livelihood generation. People from Bangladesh would like to explore NER, and tourists from NER would like to visit Cox's Bazar. The famous Nir Mahal of Tripura located nearby the border and the scenic beauty of the Gomati River can also be explored further to attract tourists from Bangladesh. Similarly, Cumilla town of Bangladesh can offer cultural tourism (Buddhist sites and temples) to Indian travelers. Tripura state government may develop a tourism town. India and Bangladesh

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governments may organize trade fairs for travel and tourism industries to promote tourism in the region. Both countries may also promote cruise tourism and design attractive packages with particular focus on local heritage. Besides, Sabroom has huge potential to offer education and health care facilities for the people of Bangladesh and NER.

Developing industrial clusters will play a key role in the region's economic development as clusters strengthen competitiveness by increasing productivity, stimulating innovative new partnerships, even among competitors, and presenting opportunities for entrepreneurial activity. Therefore, promoting clustering of agro-horticulture industries and designing state policies to facilitate the same in NER and Bangladesh will generate meaningful successes. In addition, strengthening land, air and water connectivity in addition to digital connectivity would enable access to essential infrastructure development that could transform the region into an industrial powerhouse.

Japan being a common development partner of India and Bangladesh could further extend its support to India and Bangladesh in strengthening the economic relations and connectivity by providing technology transfer, training and capacity building for the skill development of the human resources in the NER-Bangladesh region. Japan may jointly develop a Cooperation Forum with India and Bangladesh to explore short- and long- term economic and investment opportunities. Japan may consider developing a joint Economic Zone near the border where companies from Japan, India and Bangladesh can invest and work. Joint ventures with Japanese companies in the NER-Bangladesh region may bring the local goods to the international markets and generate

employment. In this context, Japan may consider conducting a comprehensive study on NER-Bangladesh connectivity corridors and designing a roadmap for connectivity in the region.

Japan has been working to promote cross-border infrastructure, trade integration, financial links, and other regional public goods. Japan has also supported development of the NER through the "Japan-India Act East Forum". For Bangladesh, Japan supports development of Matarbari deep-sea port and connection with Chattogram and Dhaka under the initiative of the Bay of Bengal Industrial Growth Belt (BIG-B). Japan has further agreed to promote cooperation under these frameworks, and further improve connectivity in the Bay of Bengal region through synergy created by organically coordinating deliverables of both frameworks. Japan's economic engagements with India and Bangladesh have immensely contributed to the industrial development of the region, which is likely to witness a stronger industrial value chain.

The Matarbari DSP is going to play a 'dual' catalytic role in strengthening the emerging trilateral relationship. A DSP at Matarbari may help strengthen Bangladesh's economic linkages in post 2026 by when Bangladesh elevates to the group of developing economies. At the same time, Matarbari DSP's connectivity with the rest of Bangladesh and India's NER through Tripura is going to be an important building block in realizing the vision of a prosperous and vibrant Indo-Pacific.

Developing connectivity will open new arteries for industrial development in the BBIN (Bangladesh, Bhutan, India, Nepal) subregion, enabling much-needed inclusive economic growth and prosperity in the Bay of Bengal region.

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